



MINNESOTA
TELEPHONE
ASSOCIATION

RECEIVED
APR 12 1996
FCC MAIL ROOM

1650 World Trade Center
30 East 7th Street
St. Paul, Minnesota
55101-4901
612.291.7311
FAX 612.291.2795

CC Docket No. 96-45
In the Matter of
Federal-State Joint Board on
Universal Service

April 10, 1996

DOCKET FILE COPY ORIGINAL

William F. Caton, Acting Secretary
Federal Communications Commission
Room 222
1919 M Street, N. W.
Washington D. C. 20554

Dear Mr. Caton:

The Minnesota Telephone Association on behalf of its 88 member local telephone companies respectfully submits the following comments in response to the Federal Communications Commission's Notice of Proposed Rule Making on Universal Service, CC Docket No. 96-45. The Minnesota Telephone Association strongly supports the continuation of universal service cost recovery mechanisms as meaningful and effective programs for providing telecommunication services to high-cost sparsely populated areas.

The present system has worked well in helping to meet public needs. However, local service competition and a new competitive environment necessitate making some adjustments. Current universal service funding mechanisms are a success story. The Minnesota Telephone Association feels it is best to build on the strengths of the current programs rather than reinventing a new complex system. Therefore, we recommend that any attempts to significantly alter present programs be carefully crafted.

Numerous options are being proposed to replace the current costing model of determining high costs. Proxy costs show promise and may work well for some companies. Studies to date, however, have been inconclusive and further analysis of the impact on small companies is needed. The Minnesota Telephone Association suggests that the Federal Communications Commission consider asking a neutral entity, such as the National Exchange Carriers Association to conduct a study/studies on the impact of proxy costs on companies.

No. of Copies rec'd 019
List ABCDE

RECEIVED

APR 12 1996

FCC MAIL ROOM

Federal Communications Commission
CC Docket No. 96-45
Page Two

The Federal Communications Commission's current accounting and separation rules have been very successful in quantifying switch and loop costs that exceed normal levels. If accounting and record retention rules are relaxed for new entrants the restrictions on Local Exchange Carriers should also be reduced to meet the standards of the new market Local Exchange Carriers. As a matter of fairness and equity, all companies should be required to adhere to the same rules and standards.

The Telecommunications Act of 1996 calls for explicit rather than implicit support mechanisms. This can best be achieved by moving universal service subsidy tools, such as Dial Equipment Minutes Weighting and Carrier Common Line costs, from access charge rates to a funding mechanism similar to Universal Service Fund or Life Line Assistance.

The support mechanisms that are developed should be directed only to those carriers that are willing to serve all customers requesting service within an entire service area.

The concept of accelerated cost recovery and the methods by which it is achieved need to be carefully monitored. Incumbent Local Exchange Carriers could face difficult and extraordinary requirements due to competition and unrecoverable investment due to the mandated depreciation rates of state regulators. Oversight of depreciation rates by state regulators on a state by state basis puts the workability and feasibility of this requirement in doubt.

The universal service fund's artificially applied cap should be eliminated. The National Exchange Carriers Association correctly predicted that over time support levels would stabilize. Levels needed today for the universal service fund are lower than the cap. The new telecommunications act mandates that the Federal Communications Commission go to actual costs. If universal service fund payments are based on proxy costs and benchmark price, a cap is no longer appropriate.

The Minnesota Telephone Association agrees with the section of the new law which would require all providers of telecommunication services to make equitable non discriminatory contributions to the Universal Service Fund.

The concept of moving toward the equalization of business and residential rates deserves support. Subscriber line charges will need to be increased in a competitively neutral manner. The true test of any mechanism designed to promote universal service is in comparing the total monthly price paid by rural and urban customers for telecommunications services received. In other words, what will be the total amount paid when local and toll rates are added together, not local only or toll only. This total amount paid should be considered when determining universal service fund "need".

RECEIVED

APR 12 1996

FCC MAIL ROOM

Federal Communications Commission
CC Docket 96-45
Page Three

Critical to maintaining the integrity of universal service is the question of who should receive the support. The Minnesota Telephone Association urges the adoption of rules designating support mechanisms go only to facility based Local Exchange Carriers or new carriers that have built their own facilities.

The new act prohibits toll de-averaging. The Minnesota Telephone Association supports maintenance of geographical toll averaging.

The Minnesota Telephone Association believes that the National Exchange Carriers Association should be the neutral administrator for any funding support mechanism that may be needed in the future. The National Exchange Carriers Association is experienced in the administration and collection of revenues from carriers and has earned the trust and confidence of America's telephone industry. The Minnesota Telephone Association would support the selection of the National Exchange Carriers Association as the administrator.

The Minnesota Telephone Association appreciates the opportunity to provide the Federal Communications Commission with comments on behalf of its members on this important telephone company issue.

Sincerely,

A handwritten signature in cursive script, reading "Michael J. Nowick".

Michael J. Nowick
Executive Secretary/Treasurer